

FACT SHEET: The GENIUS Act Protects Consumers

At its core, the GENIUS Act is a consumer protection bill:

- Payment stablecoins are a product already offered in the U.S. with little regulatory oversight.
- This legislation establishes a first of its kind federal framework to regulate payment stablecoins that includes, among other things, robust reserve requirements to ensure payment stablecoins are not de-pegged and transparency into the reserves backing payment stablecoins.

The GENIUS Act establishes federal safeguards that protect stablecoin holders and enhance consumer confidence in the permitted payment stablecoin market, including requiring:

- 100% reserve backing with U.S. dollars and short-term Treasuries, or similarly liquid assets as determined by the primary regulator.
- Monthly public disclosure of reserve composition.
- Annual audited financial statements for issuers with more than \$50 billion in market capitalization.

The GENIUS Act establishes strict marketing standards for payment stablecoins:

- Prohibits any representation that payment stablecoins are backed by the full faith and credit of the U.S., guaranteed by the U.S. government, or covered by FDIC insurance, making it unlawful to mislead consumers about government backing or the insurance status of payment stablecoins.
- Ensures that a payment stablecoin cannot be marketed in a way that a reasonable person would perceive the stablecoin to be legal tender,

issued by the U.S., or guaranteed or approved by the U.S. government.

- Makes it illegal to market a digital asset as a payment stablecoin unless the digital asset is compliant with the provisions of the GENIUS Act.

The GENIUS Act prevents destabilizing runs through a tailored regulatory framework that includes:

- Diversification requirements for reserve assets.
- Interest rate risk management standards.
- Capital, liquidity, and risk management requirements.
- Prohibiting riskier reserve assets like corporate debt or equities.

The GENIUS Act ensures state regulators have stablecoin frameworks that are “substantially similar” to the federal framework.

- Larger state-regulated issuers must either be overseen by a primary federal payment stablecoin regulator in addition to their state regulator, seek a waiver to be exempt from federal oversight, or halt new issuance once they surpass the \$10 billion threshold.

In insolvency proceedings, the GENIUS Act:

- Prioritizes claims of holders of permitted payment stablecoins over all other creditors in the event a payment stablecoin issuer goes bankrupt.
- Mandates expedited court review and distribution of reserves to stablecoin holders.